

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 EUR-12 IO-11 ISO-00 STRE-00 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 FEA-01 AF-06 EA-07 NEA-10 /133 W

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1067

INFO AMEMBASSY BRASILIA

USMISSION EC BRUSSELS

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C O N F I D E N T I A L MTN GENEVA 0545

ACTION STR

H PASS CODEL

E.O. 11652: GDS

TAGS: ETRD MTN GATT

SUBJECT: BRAZILIAN GATT REFORM PROPOSAL

REFS: A. MTN GENEVA 0509 NOTAL; B. MTN GENEVA 0489 NOTAL:

C. STATE 015338 NOTAL

1. REFTEL A SUMMARIZED JAN 23 MEETING OF SEVEN PLUS SEVEN ON BRAZILIAN GATT REFORM PROPOSAL. MORE DETAILED REPORT SUBMITTED IN PARAS 2 AND 3 BELOW. REFTEL B REPORTED SOME CLARIFICATION OF BRAZILIAN INTENTIONS OBTAINED BILATERALLY IN RESPONSE WASHINGTON'S QUESTIONS REF C. SUGGEST DEPT REPEAT REFTELS TO USUN FOR INFO.

2. OPENING STATEMENT BY BRAZILIAN REP MADE FOLLOWING POINTS:

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MTN SHOULD GO BEYOND EXCHANGE OF TRADE CONCESSIONS; IT

SHOULD ESTABLISH NEW RULES ON DC-LDC TRADE; GOB HAS MADE PROPOSALS TO THIS EFFECT IN VARIOUS MTN GROUPS AS WELL AS AT UNGA SEVENTH SPECIAL SESSION BECAUSE CURRENT GATT RULES DO NOT REFLECT CURRENT NEEDS; PART IV DOES NOT GO FAR ENOUGH; SOMETHING MORE AMBITIOUS IS NEEDED; NEGOTIATIONS IN MTN ON TRADE RULES ESPECIALLY TO INCORPORATE SPECIAL AND DIFFERENTIAL TREATMENT COULD FORM VERY SUBSTANTIAL PART OF WORK IN UN FRAMEWORK ON NORTH-SOUTH TRADE AGREEMENT; GOB OPEN-MINDED ABOUT METHOD OF WORK ON SUBJECT IN MTN BUT GOB DOES NOT RPT NOT PROPOSE NEW GROUP TAKE OVER ALL RELATED WORK OF MTN GROUPS AND SUBGROUPS; INSTEAD, GOB VISUALIZES A COORDINATION GROUP TO RECEIVE REPORTS, APPRAISE RESULTS AND IF NECESSARY TAKE UP PARTICULAR TOPICS; EXAMPLE OF SUBSIDY/COUNTERVAIL CODE CITED AS REPORTED PARA 1B REFTEL B; LEGAL AND INSTITUTIONAL WORK SHOULD IN GOB VIEW GO BEYOND PART IV AND REWRITE ENTIRE GENERAL AGREEMENT; THIS WILL TAKE LONG TIME AND THAT'S WHY IT SHOULD START SOON.

2. QUESTIONS POSED AND BRAZILIAN REPLIES WERE AS FOLLOWS:

A.IEC: WHAT IS RELATIONSHIP BETWEEN WORK OF PROPOSED NEW GROUP AND GATT COMMITTEE ON TRADE AND DEVELOPMENT (CTD), WHICH IS CHARGED WITH REVIEW OF PART IV, AND GATT CONSULTATIVE GROUP OF 18 (G-18)? REPLY: GOB PROPOSES DEAL WITH MATTER IN MTN NEGOTIATING CONTEXT RATHER THAN REGULAR GATT REVIEW BODIES; G-18 NOT A NEGOTIATING FORUM BUT MIGHT GIVE A CERTAIN IMPULSE.

B. EC: DOES GOB EXPECT NEW GROUP TO CONCERN ITSELF WITH PARA 6 OF TOKYO DECLARATION (SPECIAL MEASURES FOR LEAST DEVELOPED OF LDCS)? NO REPLY OFFERED.

C. U.S.: WHAT END PRODUCT EXPECTED--NEW INSTITUTION IN UN AND, IF SO, IS THERE ANY PRECEDENT FOR GATT NEGOTIATION OF A PART OF A LARGER UN UNDERTAKING? REPLY: GOB DOESN'T KNOW BUT PERSONAL VIEW IS THE MORE SUCCESSFUL THE WORK IS IN GATT NEGOTIATING FRAMEWORK, THE MORE ASSURANCE THERE IS THAT SUCH NEW TRADE RULES WOULD REMAIN IN GATT.

D. U.S.: WOULDNT G-18 BE MORE APPROPRIATE THAN MTN FOR THIS PROPOSAL SINCE MANY NON-GATT CPS ARE IN MTN? REPLY: G-18 IS NOT A NEGOTIATING FORUM.
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E. JAPAN: IS ULTIMATE AIM A RE-WRITE OF GATT (I.E. REFORM) OR PART OF GOB UNGA SS-7 NORTH-SOUTH TRADE AGREEMENT? REPLY: HOPE WORK WILL GO BEYOND PART IV, PERHAPS REDRAFTING ENTIRE GATT OR ADDING NEW "BIS" ARTICLES.

F. JAPAN: WOULD NEW GROUP TAKE ACCOUNT OF WORK UNDERWAY IN VARIOUS MTN GROUPS? REPLY: NEW GROUP SHOULD HAVE FLEXIBILITY TO AWAIT RESULTS WHERE PROGRESS ACTUALLY BEING MADE BUT TO TAKE INITIATIVE WHEN LDC INTERESTS BLOCKED BY

INTRA-DC DISPUTES.

G. CANADA POSED THREE INTERRELATED QUERIES: WHAT DOES GOB WANT TO BE ABLE TO DO THAT PRESENT GATT CONTRACTUAL ARRANGEMENTS PRECLUDE; WHAT DOES GOB WANT DCS TO DO THAT THEY CANNOT NOW DO UNDER GATT; AND WHAT DOES GOB HAVE IN MIND FOR LDC UNDERTAKINGS TO DCS? REPLY: PRESENT GATT RULES PREVENT BINDING OF PREFERENTIAL MARGINS; NEW GROUP WOULD GIVE IMPETUS TO DC-LDC NEGOTIATIONS CURRENTLY FRAGMENTED IN MTN GROUPS; GOB PREPARED TO CONSIDER ANY DC PROPOSALS FOR RECIPROCAL LDC OBLIGATIONS SINCE PROPOSAL NOT RPT NOT ADVANCED AS ONE-WAY STREET.

3. PRELIMINARY INDICATIONS OF COUNTRY VIEWS EXPRESSED DURING JAN 23 MEETING.

A. JAPAN: CONFIRMATION THAT PROPOSAL IS LINKED TO AND IS PART OF BRAZILIAN UNGA PROPOSAL GIVES RISE TO SOME APPREHENSION.

B. ARGENTINA: SUPPORT UPDATING GATT RULES; EXERCISE MAY TAKE LONGER THAN MTN.

C. COLOMBIA (FOR ANDEAN PACT): RECALL THEIR SUPPORT AT DEC TNC; DUPLICATION CAN BE AVOIDED; REWRITE OF RULES SHOULD BE BEYOND PART IV.

D. AUSTRALIA: VOICED SOME CONCERN ABOUT POLARIZATION OF DIFFERENCES IF COMPLETE OVERHAUL OF GATT RULES INTENDED: MTN GROUP STRUCTURE AND WORK PROGRAM SHOULD REFLECT BALANCE OF NEGOTIATING INTERESTS AND TRADE INTERESTS OF SOME MTN PARTICIPANTS ARE NOT NOW BEING ADDRESSED (READ AGRICULTURE); WONDER IF SAFEGUARDS GROUP WOULDN'T BE LESS CONTROVERSIAL WAY TO DEAL WITH SOME LDC CONCERNS.

4. COMMENT. QUERIES FROM VARIOUS DC REPS CLEARLY SHOW GUARDED ATTITUDE TOWARD PROPOSAL AND BRAZILIAN REPLIES ARE LIKELY ON REFLECTION IN CAPITALS TO DAMPEN ENTHUSIASM
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EVEN MORE. SINCE WE ARE AT THIS STAGE BY NO MEANS ALONE IN HAVING RESERVATIONS ABOUT SUITABILITY OF THIS PROJECT IN MTN, SUGGEST NO NEED FOR U.S. TO TAKE LEADING ROLE IN TRYING TO SCUTTLE IT. MOST REVEALING PART OF BRAZILIAN EXPLANATION WAS THE EFFORT TO RELATE THIS MTN PROPOSAL TO UN PROPOSAL TO CREAT NEW NORTH-SOUTH TRADE ORGANIZATION. GOB OBVIOUSLY UNCERTAIN ON HOW TO SQUARE THE TWO PROPOSALS. THEIR SUGGESTION THAT MTN UNDERTAKE NEGOTIATION, END PRODUCT OF WHICH MIGHT BE INCORPORATED IN NEW UN TRADE INSTITUTION, WAS UNSETTLING TO MANY DELEGATIONS (AND THE GATT SECRETARIAT) AND MAY DAMPEN ENTHUSIASM FOR IT. WALKER

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